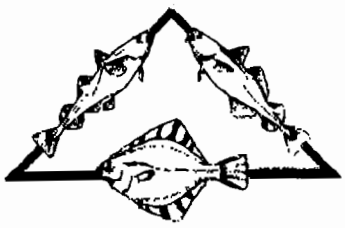

Statement of
Julie Bonney
Executive Director
Alaska Groundfish Data Bank
Hearing on
Fisheries Management Successes in Alaska
and
Reauthorization of the Magnuson-Stevens Fishery Conservation and Management Act
House Subcommittee on Fisheries and Oceans
July 8, 2005

Mr. Chairman and members of the House subcommittee on Fisheries and Oceans:

My name is Julie Bonney and I represent the members of Alaska Groundfish Data Bank, both shorebased trawl catcher vessels and shorebased processors. My members participate in fisheries across the North Pacific however most are economically dependent on the Gulf of Alaska (GOA) groundfish fisheries fishing out of the port of Kodiak.

The groundfish fishery in the North Pacific is one of the largest volume and revenue producing fisheries in the world. Alaska's economy relies heavily on its fisheries, and long-term fisheries sustainability is the key to Alaska fishery's economic future. Sustainable, productive fisheries translate into jobs for Alaskans, revenues for coastal communities, and a healthy statewide economy.

Kodiak is a hub fishery community with harvesters of all gear types and vessel classes plus a diverse and robust processing sector. Kodiak consistently ranks among America's top three seafood ports in ex-vessel value. The seafood industry is the largest industry in Kodiak, providing over 2,800 annual average jobs and approximately 64 percent of Kodiak's basic economic employment. Kodiak is a unique community having a year round processing labor

force instead of the more typical transient labor force. Our strength is the diversity of the harvesters and processors and the health of the fisheries that surround our island home.

Given the success of the NPFMC's sustainable fisheries management, the members of Alaska Groundfish Data Bank strongly support the Regional Management Council process, authority and structure. We believe that the strengths of the NPFMC process are:

- The highly transparent and participatory public process
- Regional management authority that allows participants to design fishery management structures for their independent region
- A clear separation between science-based stock assessment and allocation
- A commitment by regulators never to set harvest levels above the Allowable Biological Catch (ABC) established by the SSC
- A gubernatorial appointments process for Council representation
- A maximum biomass extraction limit for the Bering Sea and GOA ecosystems that is never exceeded, leaving fish for other ecological processes

The North Pacific Regional Management Council is progressive with forward thinking management processes, both in terms of conservation and allocation. Allowing the North Pacific to be progressive at the regional level yet address more general and global national standards is imperative to the North Pacific Council future success. The MSA should not be amended to create nebulous standards that will end us up in court.

The North Pacific Fisheries Management Council has developed several rationalization plans that have shown the benefits of individual catch allocations. Our experience has shown that once the race for fish has ended it gives harvester the tools to deal with conservation mandates, reduces bycatch, increases vessels safety and increases fish retention levels. It changes the focus from catching the most amounts of fish in the shortest amount of time to capturing the most economic value for each fish caught. The North Pacific Fishery Management Council has developed several distinct rationalization plans: the one-pie IFQ Sablefish and Halibut plan, the Bering Sea Pollock America Fisheries Act, the 3-pie BS crab rationalization plan, and finally the CGOA rockfish rationalization plan. The Council has learned lessons from implementation of each dedicated access program. With each program additional stakeholders are incorporated within the initial allocation, with the goal of creating a healthy fishing industry as a whole. Most notably the Council understands that

processors are stakeholders and must be included. Including processors accomplishes several goals:

- Compensation to processors for their capital investment in the fishery and awards processing privileges based on historical participation
- Prevention of excessive processor consolidation once the management structure is changed and fisheries are lengthened
- Creation of an appropriate balance for price leveraging that maintains rent sharing between harvesters and processors
- Prevention of redistribution of deliveries amongst processors – from primary processors to fish buyers with lower overhead and infrastructure costs that produce minimally processed products decreasing processing labor within the state of Alaska
- Incentives for processors, to reinvest in infrastructure, product innovation and processing labor since they have a stake in the new fishery structure
- Encourages fleet relationships with historical processors magnetizing harvesters to historically depend fishery communities

With rights based fishery structures Councils should focus on sharing the rents of the fish resource appropriately between fishery dependent communities, processors and harvesters.

The North Pacific fishery Council is in the process of developing a comprehensive GOA rationalization plan. The formation of the plan has been highly participatory and transparent and has been in the Council process for more than five years. The GOA trawl sector has been working towards many of the challenges that will face the fleet once a rationalization plan is implemented. Thanks to federal grants to the Alaska Fisheries Development Foundation and NOAA cooperative research funds, the trawl fleet has been able to experiment with voluntary hotspot bycatch avoidance and gear modifications that will help reduce and avoid bycatch once the race for fish ends.

Additionally the Kodiak trawl fleet and processors are involved in an experimental catch monitoring program this summer with National Marine Fisheries Service (NMFS). This program showcases the progressiveness and cooperative relationship between the fishing industry and the management agency. It also highlights the North Pacific's willingness to be forward thinking to meet future fishery management needs.

This summer's observer project tests video monitoring equipment and a change in the service deliver model where NMFS assigns observers to vessels and plants instead of industry contracting for their own observers. Since the GOA fisheries are small independent family owned vessels, with significantly less annual ex-vessel revenue, it is imperative to develop monitoring programs that are innovative and cost effective but meet monitoring needs, if these goals cannot be meet if means excessive fleet consolidation where smaller entities with lower daily production will be squeezed out of the fishery in favor of larger, more capital-intensive operations.

For the fleet to embrace additional monitoring and move towards video monitoring the MSA needs to provide a better shield of proprietary data from FOIA. The need for clarification that unaggregated observer data is confidential and exempt from disclosure was underscored earlier this year when the North Pacific fishing industry was forced to file suit to prevent the release of vessel by vessel catch and bycatch data in response to Oceana's FOIA request. Assurance that observer data will not be disclosed in an unaggregated form is essential if fishermen are going to embrace the kind of observer/monitoring coverage that is necessary for responsible management. The confidentiality policy should apply whether the data is collected by a human observer, video cameras or vessel monitoring systems. This was one of the recommendations of the Managing our Nation's fisheries conference II.

Under the present observer plan authorized in 1990, the fishing industry arranges for and pays for its vessels and processing plant observers. Observer requirements are determined by vessel length where vessels less than 60' are not required to carry observers, vessels greater than 60' but less than 125' are required to carry observers 30 percent of the time while vessels greater than 125' are required to carry observers 100 percent of the time. In the GOA vessels less than 60' constitute 92% of the groundfish fleet and harvest 58% of the total groundfish catch by value. Because of the vessels size classes present in the GOA much less of the catch is observed, the low range of observed catch in the GOA is 3% compared to a high range of 86% in the BSAI (see enclosure 1 – Observed catch in the BSAI and GOA). Since vessels decide when they take observers, coverage does not occur over the entire time frame of the fishery or in all locations of fishing. Finally the 60' to 125' vessels carry virtually the entire financial burden paying for fishery catch data used to manage all the GOA groundfish fisheries. Observer costs are much higher on a per-vessel basis due to far lower revenues on a

per-vessel basis plus the daily observer costs are often higher due to logistics of deploying observers to remote ports for short periods of time.

The North Pacific Fishery Management Council is moving forward to address data quality concerns in the GOA and also considering monitoring needs for future comprehensive GOA rationalization. The recent analysis that was prepared in connection with the proposed overhaul of the North Pacific Fisheries Observer Program made it clear that the cost of an expanded observer program in the GOA would be prohibitively expensive for the small boat fleet that operates. Since the federal government pays for observer programs in other parts of the country, some level of federal funding ought to be available to help pay for expanded coverage in the GOA. Costs of an expanded observer program in the GOA could be as much as five or six million dollars a year (see enclosure 2 – Proposal for Halibut and GOA Groundfish Observer Program Design). For comparison purposes, other observer programs in the U.S. that are fully federally funded are as follows: For the West Coast Observer Program that monitors groundfish vessels fishing off the coast of Washington, Oregon, and California the annual budget is $4 million. The Northeast Observer Program, which provides coverage on vessels operating from Maine to North Carolina, has an annual budget of $12.2 million.

The GOA fishing industry is equivalent to other areas of the national whose programs are fully federally funded and thus deserve federal funding as well. The fishing communities in the GOA such as Sitka, Yakutat, Cordova, Homer, Kodiak, Sand Point, King Cove, Chignik, and others have traditional roots in commercial fishing and most have had fleets of local commercial fishermen for over a century. These fishing towns are very similar to traditional fishing communities outside of Alaska such as Astoria and Newport, Oregon: Gloucester and New Bedford, Massachusetts: Reedsville, Virginia: Empire, Louisiana: and Pascagoula, Mississippi, in terms of the scale and composition of their fishing fleets and processing industries. Alaska's coastal fishing communities tend to be even more dependent on commercial fishing than these lower 48 communities due to their isolation and lack of alternative economic opportunities. As is the case outside of Alaska, the coastal fishing fleets in Alaska are almost exclusively family owned small businesses.

Additionally, for the Council to move forward with restructuring the observer program and change the service delivery model, where the agency contracts for observers and deploys them as they chose, the determination that North Pacific Groundfish Observers are

professionals under the Fair Labor Standards Act (FLSA) must be made. Incorporating accurate estimates of observer labor rates is important for restructuring alternatives for consideration by the Council. This cannot be achieved while the FLSA status of North Pacific Groundfish Observers remains uncertain.

While working through the observer issue several modifications need to occur within the MSA so that the North Pacific Fisheries Management Council can continue to move forward to address observer program needs:

(1) Amend the MSA that defines North Pacific groundfish observers as professionals under the Fair Labor Standards Act. (Enclosure 3 – Memo from NMFS/ASC to Dr. William Hogarth – Status of North Pacific Groundfish Observers under the Fair Labor Standards Act (FLSA)).

(2) Amend the MSA to provide for mechanisms to better shield proprietary data from FOIA.

(3) Provide for supplemental federal funding to pay for observers for those fleets that are similar to other fleets in the national that receive full federal funding. (Enclosure 4 - Draft section for incorporation in the EA/RIR/IRFA to establish a new program for observer procurement and deployment in the North Pacific Groundfish Observer Program).

The members of AGDB look forward to working closely with the members of the subcommittee of fisheries and oceans as we approach reauthorization of the Magnuson-Stevens Act. Thank you for the opportunity to comment.

Julie Bonney

Julie Bonney
Executive Director
Alaska Groundfish Data Bank

Enclosure 1

Percentage of BLEND total catch that was observed (sampled for species composition) by gear type and fishery in 2001, 2000, and 1997.

					Primary current uses of observer data								
					Catch composition & monitoring	Halibut PSC	Crab PSC	Salmon trawl bycatch	Bird Bycatch	Individual vessel catch monitoring	Other Mgt Programs	Data for analysis of proposed mgt measures	posting of vessel specific weekly bycatch rates
BSAI Fisheries													
		Percent of BLEND Total Catch Observed											
GEAR	TARGET	2001	2000	1997									
HAL	Pacific Cod	52%	53%	66%	X	X			X	X - CDQ		X	X
HAL	Sablefish	23%	25%	19%	X				X	X - CDQ		X	X
HAL	Greenland Turbot	78%	55%	55%	X	X			X			X	X
POT	Pacific Cod	28%	15%	24%	X							X	X
TRW	Atka Mackerel	72%	72%	71%	X	X	X			X - CDQ & SSL CH limits	VIP	X	X
TRW	Pollock	76%	77%	63%	X	X	X	X		X -AFA & CDQ; SSL CH limits	VIP	X	X
TRW	Pacific Cod	38%	38%	65%	X	X	X	X			VIP	X	X
TRW	Flatfish(1)	65%	68%	52%	X	X	X	X			VIP	X	X
TRW	Rockfish	72%	86%	73%	X	X	X	X			VIP	X	X
TRW	Yellowfin Sole	45%	49%	58%	X	X	X	X			VIP	X	X
(1) includes 'other' flatfish, Flathead sole, Rock sole													
GOA Fisheries													
		Percent of BLEND Total Catch Observed											
GEAR	TARGET	2001	2000	1997									
HAL	Pacific Cod	14%	6%	9%	X	X			X			X	X
HAL	Rockfish	5%	3%	3%	X	X			X			X	X
HAL	Sablefish	23%	22%	8%	X				X			X	X
POT	Pacific Cod	10%	11%	3%	X							X	X
TRW	Pollock	18%	25%	32%	X	X		X			VIP	X	X
TRW	Pacific Cod	18%	12%	17%	X	X		X			VIP	X	X
TRW	DeepWater Flatfish	18%	28%	22%	X	X		X			VIP	X	X
TRW	Flatfish(1)	19%	20%	20%	X	X		X			VIP	X	X
TRW	Rockfish	39%	41%	48%	X	X		X			VIP	X	X
TRW	Rex Sole(2)	54%	40%	(3)	X	X		X			VIP	X	X
(1) includes Flathead sole target													
(2) includes Arrowtooth target													
(3) no comparable data in 1997													
NMFS Alaska Region	June, 2002												

PSC rates on observed vessels not representative of unobserved vessels. The greater the coverage of a fleet, the greater the accuracy of catch estimates. Overall PSC constrained by PSC limits.

Proposal for Halibut and GOA Groundfish Observer Program Design

Upon implementation of a government- contracted groundfish observer program in the Alaska groundfish fisheries, NMFS shall establish annual observer coverage goals based on observer deployments aboard vessels harvesting halibut throughout Alaska, harvesting groundfish in the GOA, and at plants processing catches of groundfish harvested in GOA. NMFS's shall have broad discretion in establishing overall and specific coverage levels although the process of determining these levels shall be reviewed annually in the association with NPFMC. The following overall coverage levels shall serve as guidelines for this process:

Present Coverage	5,000 day
Year 1	8,000 day
Year 2	9,000 day
Year 3	10,000 day
Year 4 and subsequent	12,000 day

Costs associated with meeting these goals shall be provided through a combination of industry fees and appropriated funds. For the first three years after program implementation, this fee shall not exceed 0.5% of catch value. For subsequent years the fee shall not exceed 1.0% of catch value.

Industry fees shall be utilized only for payment of observer contracting expenses or costs associated with installation and operation of, and data processing related to, electronic monitoring technologies which provide data consistent with NMFS' requirements for science, management, and compliance monitoring (e.g. video technologies and electronic logbooks). Appropriated funds may be used to pay the above-defined costs and agency expenses associated with training, debriefing and supporting observers in the field, as well as costs associated with data quality control, management and analysis. Coverage expense in excess of fee proceeds will be covered with appropriated funds.

The following table provides an example of coverage levels and costs under the constructs defined above:

Year	Days	Overall Cost ($M)	Fee (%)	GOA Groundfish exvessel revenue ($M)	Halibut exvessel revenue ($M)	Total Fee Revenue ($M)	Contract Cost ($M)	Agency Expenses ($M)	Funding Requirement ($M)
1	8,000	$4,200,000	0.50	$720,000	$695,000	$1,415,000	$3,560,000	$640,000	$2,785,000
2	9,000	$4,961,250	0.50	$720,000	$695,000	$1,415,000	$4,205,250	$756,000	$3,546,250
3	10,000	$5,788,125	0.50	$720,000	$695,000	$1,415,000	$4,906,125	$882,000	$4,373,125
4	12,000	$7,293,038	1.00	$1,440,000	$1,390,000	$2,830,000	$6,181,718	$1,111,320	$4,463,038

Assumptions and notes:

Average daily Contracting Cost	$445.00
Daily agency expenses (training debriefing, observer support, data management, etc)	$80.00
Gulf groundfish ex-vessel revenue basis	$144 Million
Halibut ex-vessel revenue basis	$139 Million

Initial industry fee level of .5 % increasing to maximum fee level of 1.0% in the third year
5% cost inflation is included in years 2 – 5, a similar correction will be necessary for subsequent years

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668
Juneau, Alaska 99802-1668

Agenda B-1
Supplemental
February 2005

February 4, 2005

MEMORANDUM FOR: William T. Hogarth, PhD
Assistant Administrator for Fisheries

FROM: For James W. Balsiger
Regional Administrator

For Douglas P. DeMaster
Science and Research Director, Alaska Region

SUBJECT: Status of North Pacific Groundfish Observers under the Fair Labor Standards Act (FLSA)

We are requesting your concurrence in our determination that North Pacific Groundfish Observers should be classified as professionals under the FLSA. This determination properly recognizes the professional nature of the work conducted by these observers and resolves some outstanding issues which make it difficult for the North Pacific Fishery Management Council (Council) to restructure the North Pacific Groundfish Observer Program (NPGOP). Incorporating accurate estimates of observer labor rates is important for restructuring alternatives for consideration by the Council. This cannot be achieved while the FLSA status of North Pacific Groundfish Observers remains uncertain.

The National Observer Program Advisory Team (NOPAT) discussed the status of contracted observers under FSLA and the Service Contract Act (SCA) at its October, 2001 and February, 2002 meetings. Positions can be classified as "technical" or "professional" under FLSA. This classification determination can have substantial consequences with respect to remuneration of observers, costs to those who employ observers or contract for observer services, benefits, and other factors. The applicability of SCA to fisheries observers was of particular concern to NOPAT, because SCA provisions place wage rate, overtime, and benefit requirements on employers. The SCA is applicable only to contracted employees whose work is classified as technical. Furthermore, the SCA applies only to employees who are employed to perform services by companies who contract directly with the Federal government to provide those services.

NPGOP observers are not contracted directly by NOAA Fisheries. Rather, they are employed by private companies who contract with fishing companies to provide observer services. Prior to the October 2001 NOPAT meeting, the Department of Labor (DOL) provided an oral determination that the SCA did not apply to NPGOP observers. This

Enclosure 3

determination was verified in a letter sent to Ms. Victoria Cornish of NOAA Fisheries by Mr. Timothy J. Helm of DOL in June 2003.

In comparison, NPGOP observers' duties are different, more complex, and demanding than the duties of observers deployed in other regions by NOAA Fisheries. Education and training requirements for NPGOP observers are the most comprehensive in the nation. Their responsibilities cover a broad range of requirements for scientific information, inseason target and bycatch quota management, compliance monitoring, and catch accounting to support privileged access to harvesting or processing operations, e.g., IFQ or coops allocation. More detailed position descriptions can be provided upon request.

The minutes of the February 2002 NOPAT meeting indicate that NPGOP observers were not included in the technician classification decision:

> The position descriptions should focus on the duties and responsibilities of fisheries observers as technicians. There may be observers working on a professional level [i.e., NPGOP observers], but these would not be included in the DOL catalog since they are exempt from the Service Contract Act.

Your correspondence with Terry Hart Lee of DOC GC (December 2003) indicated that NOAA Fisheries had made the determination that observers should be considered as technicians under the FLSA. We ask that this correspondence be reviewed and that it be pointed out to Ms. Lee that this determination did not apply to NPGOP observers.

At its December 2004 meeting, the North Pacific Fishery Management Council (Council) discussed potential future changes to the NPGOP. Testimony provided during this discussion included a request that NOAA Fisheries consider classifying North Pacific Groundfish Observers as professionals under FLSA. Even though the Council did not take formal action to request this determination, it broadly supported this position during discussion.

The Council is planning to conduct an initial review of alternatives for reconstruction of NPGOP at its June 2005 meeting. We ask, therefore, that this request for concurrence be considered as soon as possible with the goal of completing the determination by early May 2005.

Staff at the NMFS Alaska Regional Office (Sue Salveson, 907-586-7775) and the Alaska Fisheries Science Center (Bill Karp, 206-526-4194) are available to provide input and assistance during this process.

cc: Chris Oliver, NPFMC

Enclosure 4

Draft section on rationale for Federal funding of fisheries observers in Alaska

June 30, 2005

This draft section is intended for incorporation in the Environmental Assessment/Regulatory Impact Review/Initial Regulatory Flexibility Analysis for a fishery management plan amendment to establish a new program for observer procurement and deployment in the North Pacific Groundfish Observer Program prior to final review by the North Pacific Fishery Management Council (Council).

Background on the North Pacific groundfish observer program off Alaska

The Federal groundfish observer program in Alaska is the oldest and largest observer program in the Nation and the only one that is entirely funded by industry. NMFS began placing observers on foreign fishing vessels operating off the northwest and Alaskan coasts in 1973, creating the North Pacific Foreign Fisheries Observer Program. The program greatly expanded in 1976 with the passage of the Magnuson Stevens Act (MSA), which mandated observer coverage on foreign-flagged vessels and processors operating in the US Exclusive Economic Zone (EEZ). Under this program, foreign companies operating in Alaska were required to pay for their own observer coverage as a cost of doing business in the U.S. EEZ. The primary purpose of this observer coverage was to monitor catch of target species and bycatch of prohibited species such as crab, salmon, and halibut.

By the late 1970s, American fishermen began entering the North Pacific groundfish fisheries that were previously pursued by foreign vessels, first as joint-ventures with foreign processing ships and later through the development of a domestic processing industry. By 1986, all foreign fishing operations were halted and by 1991, all foreign joint-venture processing operations off Alaska were ended.

The Council recognized the continued need for observers in the North Pacific groundfish fisheries to monitor catch and bycatch as the industry shifted from foreign to domestic vessels. Therefore, in 1989, the Council developed the current domestic observer program and established observer coverage requirements for vessels and processors. These regulations established observer coverage levels for vessels based on vessel length and for processors based on monthly processing volume. Vessels less than 60' length overall (LOA) are not required to carry observers. Vessels 60'-125' LOA are required to carry observers 30% of their fishing days. Vessels over 125' LOA are required to carry an observer 100% of their fishing days, and catcher processors, motherships, and shoreside processors operating in the quota-based programs such as the Community Development Quota (CDQ) program and American Fisheries Act (AFA) pollock fishery, as well as vessels fishing Atka mackerel in Steller sea lion critical habitat area in the Aleutian Islands, are required to carry two observers at all times.

In designing the Observer Program in 1989, NMFS and the Council had limited options because the Magnuson Stevens Act provided no authority to charge the domestic industry fees to pay for the cost of observers, and Congress provided no funds to cover the cost of observers. Under this program, NMFS provides operational oversight, certification training, definition of observer sampling duties and methods, debriefing of observers, and management of the data. While the costs associated with managing the program are paid for by the Federal government, the vessel and plant owners pay for the entire cost of observers (on a daily basis) through contracts with private observer companies.

In effect, the Council and NMFS took the successful industry-funded approach used in the foreign fisheries off Alaska and applied it with some modification to the newly-emerging domestic fisheries off Alaska. This approach has provided the Council and NMFS with the tools to successfully manage the Nation's largest groundfish fisheries for the last 15 years. However, despite what is generally considered a successful record of management in the North Pacific due in part to data gathered by observers, the current program exhibits a number of problems that can only be addressed through changing how

observer coverage is funded and how observers are deployed. One effective and equitable way to do this would be through a new program in which Federal funds are used to subsidize observer coverage on small vessels, and/or those operating in the Gulf of Alaska (GOA).

One size does not fit all: The problems with industry funding of observer coverage in small vessel fisheries and in the Gulf of Alaska

As noted above, the current North Pacific Groundfish Observer Program, in which industry contracts for its own observers, is a legacy of the 1970s and 1980s when foreign fishing companies operating large factory trawlers and processing ships were operating in the U.S. EEZ. For these large foreign companies, paying for observer coverage was a cost of doing business, and a relatively minor cost relative to the resource they were exploiting. During the initial rush by American companies to enter the groundfish fishery off Alaska, a large-scale domestic fishing industry developed primarily to exploit the offshore groundfish fisheries of the Bering Sea and Aleutian Islands (BSAI). Many large American factory trawlers and freezer longline vessels were built along the same lines as the foreign vessels they were replacing. At the time, it made sense to extend observer coverage to these vessels and processors through the same industry-funded 'pay-as-you-go' approach that was previously used to fund coverage on foreign vessels. Indeed, several of the companies operating large vessels and processors primarily or wholly in the BSAI have testified to the Council on many occasions that they prefer the industry-funded approach to alternatives such as using fish taxes to fund observer coverage.

However, despite the relative satisfaction that large fishing companies have expressed with the current program, many smaller-scale vessels and fishermen have found that the cost of paying for their own observer coverage is a far greater burden than it is for the large companies operating large vessels and processors. This is especially true in the GOA, where the groundfish industry has developed along much more traditional lines than in the BSAI, and where fishing fleets and communities more closely resemble those in the rest of the country than they do the BSAI. It is also true for smaller scale operations in the BSAI and some CDQ fisheries where observer costs can amount to a relatively large fraction of overall revenues.

Alaska's small coastal fishing communities are more similar to non-Alaska fishing communities that have Federally funded observer programs

The commercial fishing industry in Alaska encompasses both the large scale industrial fisheries and the smaller scale traditional fisheries. The Bering Sea pollock fishery, the largest fishery in the BSAI in terms of harvest and revenues, is dominated by large, vertically-integrated companies that operate large catcher processors and onshore processing plants. A majority of the vessels delivering groundfish to shoreside processors in the BSAI are owned in whole or in part by the processing companies to which they deliver. This industry is centered around the ports of Dutch Harbor and Akutan in the eastern Aleutian Islands and most of the companies participating in these fisheries are based out of Seattle or other cities outside of Alaska. As described previously, this component of the Alaska fishing industry developed rapidly in the 1980s to replace the foreign fishery operating in the EEZ at that time.

By contrast, the coastal fishing communities in the GOA and other more remote regions of the BSAI developed in a more traditional manner. Communities in the GOA such as Sitka, Yakutat, Cordova, Homer, Kodiak, Sand Point, King Cove, Chignik, and others have traditional roots in commercial fishing and most have had fleets of local commercial fishermen for over a century. These community fishermen primarily harvested salmon, halibut, herring, and shellfish until the more recent development of domestic markets for groundfish such as pollock and cod. These fishing towns are very similar to traditional fishing communities outside of Alaska such as Astoria and Newport, Oregon; Gloucester and New Bedford, Massachusetts; Reedsville, Virginia; Empire, Louisiana; and Pascagoula, Mississippi, in terms

of the scale and composition of their fishing fleets and processing industries. Alaska's coastal fishing communities tend to be even more dependent on commercial fishing than their lower 48 counterparts due to their isolation and lack of alternative economic opportunities. The fishing fleets in these Alaska fishing communities tend to be composed of the same type of vessels that operate out of lower 48 fishing ports, and are of similar size and scale. As is the case outside of Alaska, the coastal fishing fleets in Alaska are almost exclusively owner-operated small businesses and not part of the vertically-integrated large-scale Bering Sea groundfish industry centered in Dutch Harbor and Akutan.

Observer program-related problems and costs faced by Alaska's coastal fishermen

The current observer program throughout Alaska is one in which groundfish vessels less than 60' are not required to carry observers and vessels 60'-125' LOA are required to carry and pay for their own observers 30% of their fishing days regardless of gear type or target fishery. These two size categories make up the majority of vessels fishing in the GOA and out of ports other than Dutch Harbor and Akutan in the BSAI. There are several impacts of the current program that require highlighting:

- Vessels less than 60' length overall are not required to carry observers, and therefore face no observer costs relative to their larger counterparts. Observers on vessels greater than 60' estimate total catch for a portion of the hauls or sets, and sample these hauls or sets for species composition. These data are expanded to make estimates of total catch by species for the entire fishery, including unobserved vessels. Observer data from observed vessels are assumed to be representative of the activity of all vessels, and are used to estimate total catch of prohibited species for the entire fishery. In the GOA, vessels less than 60' constitute 92% of the groundfish fleet and harvest 58% of the total groundfish catch by value. All of this harvest is unobserved, in part because of concerns with the cost of observer coverage and the practical and logistical difficulties with placing observers on smaller vessels.

- Vessels between 60'-125' in overall length are required to carry observers for 30% of their fishing days. These vessels operating in the GOA pay a disproportionate percentage of their revenues towards observer costs relative to both their under 60' counterparts and the large offshore vessels operating in the BSAI. This is due to two reasons: 1) these vessels have far lower revenues on a per-vessel basis than do the large offshore vessels in the BSAI, and 2) the daily costs of coverage are often higher for vessels operating in the GOA, due to the logistics of deploying observers to remote ports for short periods of time.

- Vessels greater than 60' length overall operating in the GOA also pay a disproportionate percentage of their revenues towards observer costs relative to their counterparts outside of Alaska. The North Pacific Groundfish Observer Program is the only one in the Nation in which fishing vessels pay for their own observer coverage to meet coverage requirements established in Federal regulations. All other observer programs in the other regions are Federally funded. This means that fishermen from Alaska's coastal fishing communities pay a much higher percentage of their revenues for observer coverage than do similarly-situated fishermen in fishing communities outside of Alaska. In addition, Alaska's coastal communities are far less diversified, have fewer economic opportunities, and are more dependent on commercial fishing than most fishing communities outside of Alaska.

- Fishermen are discouraged from lengthening their vessels for safety purposes. Because lengthening a vessel beyond 60' will automatically trigger observer coverage requirements, vessel owners are inadvertently discouraged from improving the safety of their vessels through lengthening.

- Smaller entities in the fishing industry face disproportionate costs relative to their larger counterparts. The current program, in which small entities face the same or higher daily costs of observer coverage as large entities, results in small entities with lower daily production having a competitive disadvantage. The result of such a program over many years is that the smaller entities with lower daily production will be squeezed out of the fishery in favor of larger, more capital-intensive operations. While these trends may be present regardless, they are exacerbated by the imposition of disproportionately high observer coverage costs on small operations in the 60'-125' vessel length range.

Estimated costs of establishing a Federally funded observer program for small vessel fisheries in Alaska are similar to those outside of Alaska that are currently Federally funded

There are at least two potential approaches to designing a new Federally-funded program for small vessel fisheries in Alaska: one based on geography and one based on vessel size. A geographically-based program would be one in which a new Federally-funded program would cover observer costs in the GOA (which is comprised predominantly of small-vessel fisheries), while the predominantly large-scale fisheries in the BSAI would continue to fund their own coverage through direct contracting for coverage or some type of daily fee.

A program based on vessel size would be one in which a new Federally-funded program would cover observer costs for small vessels operating throughout Alaska while all large vessels and processors would continue to fund their own coverage through direct contracting for coverage or some type of daily fee. The primary difference between these two proposals is whether or not to include the small-scale vessels operating in the BSAI.

The Council is currently evaluating alternatives to restructure the North Pacific Groundfish Observer Program into one in which NMFS would contract directly for observer services, as opposed to industry.[1] **This analysis estimates the following annual coverage costs for a program that would maintain the current levels of observer coverage in the GOA and BSAI for groundfish vessels ≥60' LOA and add new observer coverage days at lower levels for halibut vessels and groundfish vessels <60' LOA:**

GOA groundfish vessels and processors and halibut[2]	**$3.98 million[3]**
Small-scale BSAI groundfish (vessels <125' LOA)	**$2.70 million**
Large-scale BSAI groundfish vessels and processors	**$9.40 million**

These estimates are based on 2003 average daily observer deployment costs of $355/day and do not include NMFS administrative overhead. These estimates therefore do not include the daily costs to the agency of training, debriefing, observer support, data management, etc. Agency costs, however, could be included in an appropriation to Federally fund the North Pacific Groundfish Observer Program, and have been estimated at $80 per day under the new program in which NMFS contracts directly with observer

[1]North Pacific Fishery Management Council. Draft Environmental Assessment/Regulatory Impact Review for a Fishery Management Plan Amendment to Establish a New Program for Observer Procurement and Deployment in the North Pacific. May 2005.

[2]The estimate includes new observer coverage for halibut vessels in both the GOA and the BSAI.

[3]This cost is estimated to fund about 11,000 observer days, based on average daily observer costs of $355/day (includes estimated travel costs of $25/day and meal costs of $15/day). In 2003, Gulf vessels (not including processors) had approximately 5,000 coverage days. Note that these cost estimates do not provide for agency administrative costs or inflation.

companies to provide observer coverage. In addition, the cost estimates above do not provide for inflation.

For comparison purposes, the costs above can be compared to the costs of other observer programs in the U.S. that are fully Federally funded. For example, the West Coast Observer Program that monitors groundfish vessels fishing off the coast of Washington, Oregon, and California has an annual budget of $4 million.[4] The Northeast Observer Program, which provides coverage on vessels operating from Maine to North Carolina, has annual program costs of $12.2 million.[5] The Hawaiian Pelagic Longline Observer Program in the Pacific Islands Region has annual costs of approximately $3 million.[6] Note that these program estimates likely include NMFS administrative costs.

[4]National Observer Program: http://www.st.nmfs.gov/st4/nop/regions/WestcoastGroundfish.html
[5]National Observer Program: http://www.st.nmfs.gov/st4/nop/regions/NorthEast.html
[6]National Observer Program: http://www.st.nmfs.gov/st4/nop/regions/hawaii_swordfish.html